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MILK CONSUMER'S MINORITY REPORT

A

MINORITY OPINION FROM THE STUDY CONDUCTED

BY THE

GOVERNOR'S MILK CONTROL INQUIRY COMMITTEE

COMMONWEALTH OF PENNSYLVANIA

FEBRUARY 28, 1965

SUBMITTED BY: MARTHA G. KING
CONSUMERS' REPRESENTATIVE

DOCUMENTS SECTION

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CITIZENS' COMMITTEE FOR FAIR MILK PRICES
25 Bel-Aire Road
Delmont, Pennsylvania - 15626

February 28, 1965

Governor William W. Scranton
State Capitol Building
Harrisburg, Pennsylvania

Dear Governor Scranton:

Attached is a copy of my minority report from the Governor's Milk Control Inquiry Committee. I am requesting that this report be distributed as a supplement to the public members' report. As you will note in this report, I concur with most of the recommendations of the public members' report with the exception of several major points in which additional recommendations are made and discussed in detail. These points are:

1. the complete orderly removal of retail and wholesale price controls;
2. placement of the producer pricing agency under the Department of Agriculture; and
3. to combat the economic problems of overproduction by providing a mechanism for producers, if they so elect, to negotiate their contracts with the dealers under a base-surplus plan.

It is regrettable that the Inquiry Committee was unable to come to unanimous agreement on their recommendations. I would submit, however, that this situation was the inevitable result of the special interests of the members chosen to sit on the committee. Considering this, I feel the committee was remarkably successful, and our thanks are due in particular to our Chairman, Dr. Simon, for his able leadership.

Please accept my apologies for the brevity of this report. I had only two days to prepare and print it after the public members' report was made available to me.

Sincerely yours,

Martha G. King

MILK CONSUMER'S MINORITY REPORT

A MINORITY OPINION FROM THE STUDY CONDUCTED BY THE GOVERNOR'S MILK CONTROL INQUIRY COMMITTEE COMMONWEALTH OF PENNSYLVANIA

FEBRUARY 28, 1965 SUBMITTED BY: MARTHA G. KING

PURPOSE OF THIS REPORT:

A report has been prepared and submitted by the public members of the Governor's Committee, Messrs. Simon, Holtzinger and Miller. While I subscribe to and have contributed to most of the conclusions and recommendations in the public members' report, I disagree on several major points. The purpose of this minority report is to provide an addendum to the public members' report; to indicate the areas in their report with which I am in accord; and to stress the important points that I feel have not been adequately considered.

AREAS OF AGREEMENT:

I agree entirely with Recommendations 1 and 2, Recommendations 4 through 12, Recommendations 17 through 19 and Recommendation 21. Adoption of these reforms and procedural changes should be of benefit to all phases of the Pennsylvania milk industry and the general public.

However, I feel that a thorough examination of the Appendix contained in the public members' report entitled "Economics of Milk Production and Distribution in Pennsylvania" will substantiate my exceptions to their report.

EXCEPTIONS AND RECOMMENDATIONS:

Producer Prices: While producer price controls are generally beneficial to farmers, they could be more effective than they are. The present system is inadequately enforced, allowing kickbacks and interstate "juggling" of milk to avoid paying a fair price to the farmer according to the actual utilization of the milk. This is the reason I could not join the public members in commending the Milk Control Commission for its recent actions to bring Western Pennsylvania milk producer prices in line with economic forces. The Milk Control Commission has failed to act on these and other equally serious problems besetting milk producers.

According to available figures, considerable milk is being imported into Western Pennsylvania from adjoining areas even though milk supplies are short in these adjoining areas and despite the fact that fifty per cent (50%) of the milk produced in Western Pennsylvania is used for manufacturing and surplus uses. This indicates either false utilization records or a serious interstate problem which the Milk Control Commission should

recognize and deal with. In addition, I recommend that the Milk Control Commission be instructed to actively participate in a program which would make it possible for the Pennsylvania farmer to bring his milk production more in line with the demand for milk. Present economic factors encourage over-production which depresses the producer's income.

When a single-price base and surplus plan is adopted by a two-thirds (2/3rds) vote of producers marketing milk at an individual dairy, the Pennsylvania Milk Control Commission shall assist the dairy in setting up this plan and shall enforce its operation.

Resale Price Controls: Recommendations 13 through 15 of the public members' report are reforms which would definitely improve the wholesale and retail price-setting functions of the Milk Control Commission. However, I do not agree that we have sufficient reason to continue resale price controls. We have seen no clear and conclusive evidence that the welfare of the general public is benefitted by resale price controls. It is not even clear that the milk industry is benefitted by resale price controls except in the event of a price war.

On the other hand, there are clear disadvantages to resale price controls. Price controls definitely interfere with the individual liberty of consumers and, as such, are objectionable.

The consumer is at a distinct disadvantage at hearings held by the Milk Control Commission. The average consumer or consumers' groups would have neither the funds or facts available to enable him to present persuasive or informed testimony. Yet, prices are determined on the basis of facts presented at these hearings.

The difficulty of enforcing such widespread controls further undermines their value. Pennsylvania has no jurisdiction over out-of-state transactions. The recent scandal in which the Internal Revenue Service revealed a widespread system of illegal kickbacks and rebates indicates that prices which many dairies have reported paying producers are fraudulent. Since the prices which producers receive are the basis for setting resale prices, the resale prices are thereby inflated. By supporting this system of pricing, the government may be said to be assisting the dairy industry in defrauding consumers.

The kickbacks and rebates revealed are symptomatic of other violations occurring in the milk industry. I submit that resale price controls actually encourage a host of violations and that resale price controls are virtually unenforceable.

The milk industry should be relieved of its resale controls as quickly as possible. This could be done in an orderly manner and temporary emergency powers retained to be used in the event of a price war.

I oppose any attempt to regulate sales of milk on the farms where it is produced regardless of the amounts purchased and the type of container used. Thus, I recommend the removal of the phrases "not exceeding two (2) gallons to any one consumer in any one day" and "containers owned and provided by the consumer" from Section 402 of the Milk Control Act.

Organization and Administration: Recommendation 16 recommends no statutory changes in the organization of the Pennsylvania Milk Control Commission. I recommend that the Milk Control Commission be placed under the Department of Agriculture and renamed the Milk Stabilization Board.

Further, if the Milk Control Commission only attempted to set producer prices, the present budget for this commission might be adequate and Recommendation 20 would be unnecessary. However, a larger percentage of the employees of the Milk Control Commission should be persons skilled in auditing work.

SUMMATION:

In conclusion I would like to stress again the need for removal of resale price controls and the initiation of a program whereby the farmer can keep the milk supply in line with demand.